



PROCEDURE FOR CONSTITUTION OF STRATEGIC RESERVE FOR WINTER 2020-21 – CONSULTATION REPORT

**Public Consultation held between 13 December 2019 and 24
January 2020**

15/02/2020

INTRODUCTION

In accordance with article *7quinquies* §1 of the Law of 29 April 1999 concerning the organization of the electricity market (hereinafter 'Electricity Law'), Elia determines and publishes the modalities on the Procedure for Constitution of a Strategic Reserve after consulting grid users, distribution system operators, the regulator and the Federal Public Service for Energy.

On December 13th 2019, in anticipation of an instruction by the Minister to constitute a volume of Strategic Reserve conform article *7quater* of the Electricity Law, Elia launched a public consultation on the Procedure for Constitution for Strategic Reserve, which will enter into force as from February 15th, 2020. All market parties were invited to submit their views on the Procedure for Constitution until January 24th, 2020.

On January 15th 2020, the Minister instructed Elia to constitute a Strategic Reserve of 0 MW for the winter period 2020-2021. Following this Ministerial decree, Elia will not start the tender procedure as described in the Electricity Law, article *7quinquies* §6.

In the present document, Elia publishes a summary of the received reactions to the consultation in order to inform market parties and give its replies.

Elia stresses that it can only respond to issues for which Elia is competent and concerning the Procedure for Constitution. In the present document, Elia does not reply to questions or remarks concerning legal aspects, or questions that are out of scope of the present consultation.

Elia received remarks from one party to the public consultation; the contribution was submitted as non-confidential:

- Febeliec

| # | Author | Subject | Chapter or Section | Remark | Answers Elia |
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| 1 | Febeliec | Background | 3 | Febeliec hopes that the CREG will publish at the latest at the day of the start of this procedure the criteria it will apply to assess the reasonability of offers, as such criteria have until yet not been published. This will greatly increase the confidence and transparency towards potential candidates in the procedure. | This issue is not the responsibility of Elia, and therefore considered out of scope of this consultation. |
| 2 | Febeliec | Ordering Submeters SDR | 5 | Febeliec wants to re-iterate its comment regarding the fact that the Minister can revise the volumes of the Strategic Reserve till the first of September, while for any candidate wishing to offer SDR to the Strategic Reserve, this entails a risk as submeters for SDR already have to be ordered before the end of August, which could lead to useless and non-remunerated investments by these candidates. Febeliec has already made this comment for this winter 2018-2019 and continues to hope that Elia, CREG and the Minister will find a solution to avoid this problem, as this uncertainty can result in potential candidates not offering their capacity into the strategic reserve, which leads to a sub-optimal outcome for society as this would (unnecessarily) push up the cost of the strategic reserve. | The possibility of a volume revision is defined in the electricity law and as such out of scope for this consultation. Elia wishes to integrate this modality as pragmatically as possible and recognizes the concerns of market actors on the implied uncertainty. |
| 3 | Febeliec | Tender | 4 | Febeliec notices that Elia will contact the selected SDR and SGR suppliers to inform them of their selection. For Febeliec it is important to maintain as much transparency as possible and it would thus be advisable to inform all grid users of the outcome of the selection process, even including a price indication. | Elia will indeed inform the non-selected suppliers of the fact that an award decision has been taken. Elia will publish the average price for the total volume contracted, as done every year, to the extent possible without making public commercially sensitive information |

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| 4 | Febeliec | General | 0 | <p>Febeliec remains concerned for those delivery points that do not have a net offtake on annual basis (eligible for SDR) or do not have a CIPU contract (eligible for SGR) and hopes that everything is done to allow the last few potentially remaining cases to offer also into the tender for the strategic reserve. Febeliec nevertheless wants to highlight and appreciate the efforts that have been done by all involved actors in the last few years to remove as many barriers as possible for participation of as many as possible candidates. A clear example are emergency generators, which now have been allowed to participate insofar they fall under the requirements for SDR.</p> | <p>This issue is not part of Procedure for Constitution, and therefore considered out of scope of this consultation.</p> |
| 5 | Febeliec | Maximum SDR Reference Power | 7.2.2.5 | <p>With respect to the procedure for the determination of the maximum SDR reference power, Febeliec wants to reiterate the comments it made in previous years with respect to the methodology applied by Elia to take into account the unavailability of nuclear plants during winter 2018-2019. The chosen approach by Elia unduly leads not only to an increase from 1GW to 1,5GW for the 7 year average unavailability factor of nuclear plants for the low probability high impact sensitivity (an impact that will continue to impact the outcome for many strategic reserve calculations), but also to a severe impact on the table used by Elia for the availability rate of RrefDR, with yet again higher deratings of demand side then for previous winter, when Febeliec was already surprised by the undue stringent approach by Elia. Febeliec now observes that Elia has become even more stringent towards deratings for winter 2020-2021 than it was in previous years, without providing any validation nor justification of this approach. Febeliec regrets that Elia has chosen to continuously and increasingly penalize demand side flexibility participation to the strategic reserve without providing any quantitative analysis and is strongly of the opinion that a very clear and concise justification of these additional deratings must be provided before the proposal can be approved, as it is currently impossible to validate the numbers proposed by Elia</p> | <p>These modalities are originally defined in the Functioning Rules and are therefore as such out of scope of the public consultation on the PdC.</p> <p>Nevertheless, Elia wishes to point out that it uses the same method as in previous years which is based on the dimensioning scenario. Elia does currently not intend to adapt the methodology as it allows to ensure that the requirements laid upon Strategic Reserve providers match the needed service level. As the low probability, high impact scenario has been altered to take into account recent events, the impact is indeed also witnessed in the prequalification criteria. The basic hypotheses and scenarios as well as the methodology used for this analysis are determined by Elia in cooperation with the General Direction Energy, the Federal Planning Bureau and in consultation with the committee, as required by law (article 7bis §4bis).</p> |

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| 6 | Febeliec | Maximum SDR Reference Power | 7.2.2.5 | <p>Febeliec also wants to stress very strongly that it finds it unacceptable that for the calculations for a need for strategic reserve for winter 2020-2021 and following the much higher contracted volumes of contracted demand side response by several market players in winter 2018-2019 are not used as the new starting point to apply the existing methodology regarding demand side response in the market. As such much higher volumes have been contracted by several actors in the past, it is unconceivable not to take them into account as acquis in any further analysis; the approach by Elia leads to a sub-optimal analysis, to the detriment of grid users as they have to bear the costs of an unnecessarily large strategic reserve which is already inflated because of the approach of Elia with respect to the unavailability of nuclear plants in winter 2018-2019.</p> | <p>Elia notes this remark, but it is out of scope for the public consultation on the PdC. As already indicated by Elia on earlier occasions, this item will be discussed at the appropriate time in the near future. The methodology will allow to integrate any volumes visible in the Belpex curves.</p> |
| 7 | Febeliec | Return to Market SGR | 8 | <p>Febeliec appreciates that the conditions for a return to the market of SGR units are now clearly bundled in Title 8 and urges all involved parties to be very strict on this point, to avoid any undue additional market distortions.</p> | <p>Elia is grateful for the support.</p> |